

# **REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR**

## **AUDIT OF THE DOWNTOWN DEVELOPMENT AUTHORITY**

**INTERNAL AUDIT REPORT 200208-17**

**December 31, 2008**



December 31, 2008

Councilman Ron Webb  
Chairman, Shreveport City Council

Dear Councilman Webb:

Subject: IAR 200208-17 - Audit of the Downtown Development Authority

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Graham, CPA, CIA  
City Internal Auditor

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**EXECUTIVE SUMMARY**  
**AUDIT OF**  
**THE DOWNTOWN DEVELOPMENT AUTHORITY**  
**INTERNAL AUDIT REPORT (IAR) 200208-17**

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire report.

**INTRODUCTION**

The Downtown Development Authority (DDA) is a quasi-public agency created under the authority of state law and City of Shreveport ordinances for the purpose of the revitalization of Shreveport's Central Business District.

**RECOMMENDATION EVALUATION RISK CRITERIA**

The chart below summarizes the recommendations outlined in the report and our evaluation of risk for the recommendations. We evaluated the importance of each audit recommendation by assigning each a level of risk. The risk levels, as defined in the chart below, were determined based on the possible results for the entity if the recommendation is not implemented. This report contains three findings with three recommendations.

<i><b>Risk Levels</b></i>	<i><b>Recommendations</b></i>
<b>High Risk</b> Possibility of fraud, waste, and abuse of City assets; Interrupted and/or disrupted operations; Entity's mission not being met; Adverse publicity.	· Coordinate with the City to: appoint a parking ordinance hearing officer and begin to immobilize or boot vehicles for unpaid citations; consider civil money judgment for unpaid citations; and consider booting vehicles for less than three unpaid citations based on the amount of time or money overdue. (Finding 1)
<b>Medium Risk</b> Possibility of continuing, significant operating inefficiencies and high-level non-compliance issues.	· Require the board members to sign a conflict of interest disclaimer. (Finding 2)
<b>Low Risk</b> Possibility of continuing operating inefficiencies and some low-level non-compliance issues.	· Coordinate with the City to tag City-owned equipment. (Finding 3)

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# **AUDIT OF THE DOWNTOWN DEVELOPMENT AUTHORITY INTERNAL AUDIT REPORT (IAR) 200208-17**

## **OBJECTIVES**

We have completed an audit of the Downtown Development Authority (DDA). The objective of this audit was to determine the economy and efficiency of operations of the DDA.

## **SCOPE AND METHODOLOGY**

Our audit was performed in accordance with generally accepted governmental auditing standards as defined in Section A.20 of the Internal Audit Office Operating Instructions Manual. The scope of the study of internal control was limited to the general controls surrounding our objectives for the specified operating years. Audit procedures applied included the following:

- Reviewing applicable records and documents.
- Interviewing appropriate operating personnel and management.

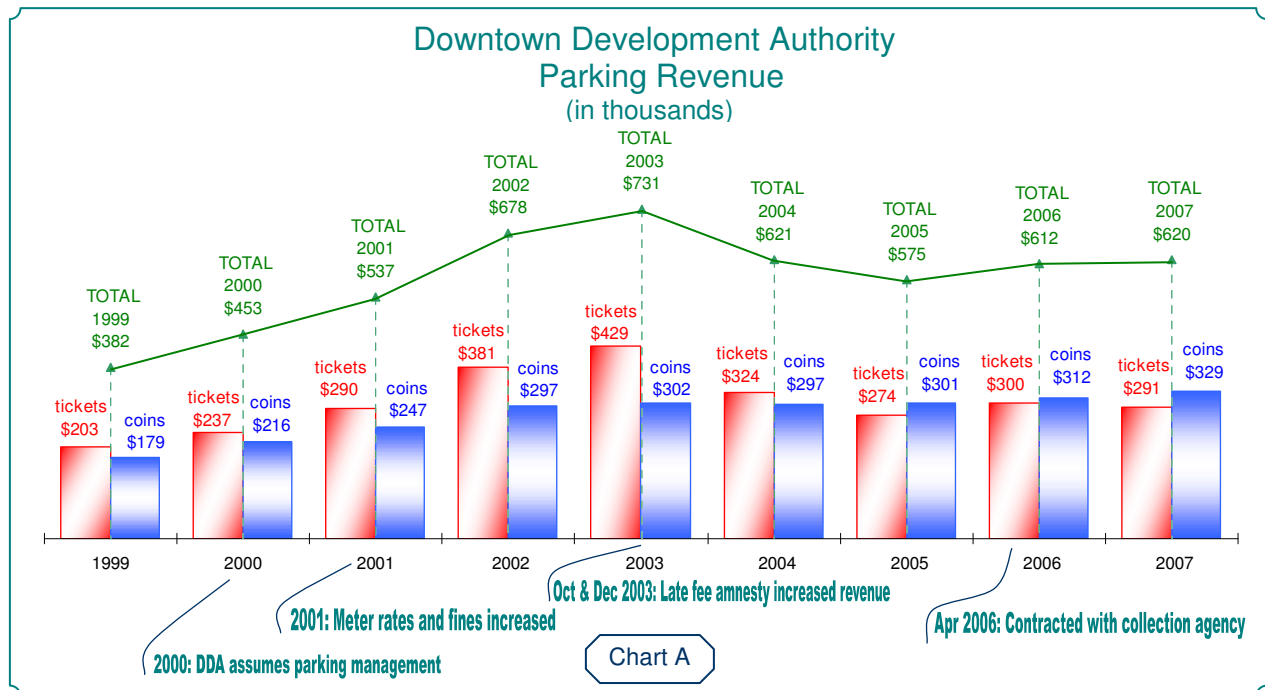
## **BACKGROUND**

The Downtown Development Authority (DDA) is a quasi-public agency created under the authority of state law and City of Shreveport ordinances for the purpose of the revitalization of Shreveport's Central Business District.

The DDA was established by the City's "Code of Ordinances" with the mission to revitalize the downtown Shreveport area. DDA has the responsibility of aiding and encouraging the efforts of the public and private sectors for the economic and overall development of the downtown area. The Downtown Development District is a special taxing district within the City of Shreveport created by the State Legislature. The DDA is governed by a seven member board of directors appointed by the City Council. The City has the ability to modify or approve the budget of the DDA and its plan of work.

In 2000, the City Council created the Downtown Parking Enterprise Fund. Revenues come from the parking meter receipts and the fees paid by persons who have received a parking ticket (a parking infractions citation). The City contracts the meter maintenance and parking meter management to the DDA. Below, *Chart A* illustrates the parking meter coins collected and the parking tickets paid from 1999 through 2007.

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## **CONCLUSIONS/FINDINGS/RECOMMENDATIONS**

The Internal Audit Office expresses appreciation to the management and personnel of the DDA for their cooperation and assistance provided during our audit. Based on our review, we believe management could enhance the efficiency and control environment by addressing the following concerns:

- Coordinate with the City to appoint a parking ordinance appeals officer to allow for the immobilization or booting of vehicles for non-payment of citations.
- Coordinate with the City to consider civil money judgments for unpaid citations.
- Coordinate with the City to consider booting vehicles with unpaid citations of either a large amount or unpaid over a specified time.
- Require that board members sign a conflict of interest disclaimer.
- Coordinate with the City to place fixed asset tags on City-owned property.

### **1. Unpaid Parking Violations**

**Criteria:** To increase revenue and operational effectiveness, management should utilize every effort to collect unpaid parking tickets.

**Condition:** A review of the 2007 parking citations indicated that only 46.5% of the citations have been paid. Approximately \$275,259 worth of unpaid tickets became uncollectible after three years.

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**Effect:**

- Violators do not pay citations.
- Revenues are not collected for unpaid parking citations.

**Cause:** Collection efforts have been hampered because of several factors:

- A parking ordinance hearing officer was not appointed.
- Unpaid citations become uncollectible after three years.
- Three or more unpaid tickets are required to boot a car.

**Recommendation:** We recommend that management consider the following:

- Coordinate with the City to appoint a parking ordinance hearings officer to allow for the booting or immobilization of vehicles for unpaid citations.
- Coordinate with the City to seek civil remedies for non-payment of parking violations.
- Coordinate with the City to boot vehicles for less than three unpaid citations when the citations are unpaid for a specified time (such as, 90 days) or the citations are for larger dollar violations (such as, fire lane or oversize vehicle).

**Management Plan of Action:** Management fully concurs with audit recommendations related to audit finding #1. DDA has repeatedly recommended that City appoint a parking enforcement hearings officer as a necessary element in effective parking enforcement. DDA has further recommended that the City parking ordinance be modified to enable civil remedies that increase collections on delinquent violations. DDA is eager to pursue booting or immobilization of vehicles pursuant to City modification of the ordinance as recommended. Substantial amounts of parking violation revenue are being lost annually by the City due to suboptimum enforcement/collection procedures. Our recommendations under consideration by the City include: eliminating the requirement for prior certified notice to delinquent ticket payers; modified language on the citation to allow it to serve as official notice; increased penalties for late payment; booting/immobilization following accumulation of three violations or delinquency of any violation for more than ninety days; immediate release of booting device upon electronic fine payment; and elimination of provision in ordinance whereby outstanding violation payments "roll off" as collectible after three years delinquency.

**Timetable:** We are ready to adopt the management plan of action immediately for each audit finding, although we must rely on the City to initiate the compliance with audit findings #1 and #3.

## **2. Conflict of Interest Disclaimer**

**Criteria:** A conflict of interest disclaimer helps to ensure that the business dealings and transactions of an organization are professional, fair, and ethical.

**Condition:** We noted that the DDA board members are not required to sign a conflict of interest disclaimer.

**Effect:** Possible negative publicity.

**Cause:** Management may not have recognized the need for the conflict of interest disclaimer.

**Recommendation:** We recommend that DDA require that board members sign a conflict of interest disclaimer.

*Auditor's Note:* This requirement may be satisfied by the State of Louisiana's Financial Disclosure Statement R.S. 42:1124.2.1. However, at this time, the disclosure forms have not been promulgated.

**Management Plan of Action:** Together with City audit staff, management has reviewed Louisiana's Code of Governmental Ethics (LA. R.S. 42:1101 et seq.), which includes the newly enacted Financial Disclosure requirements as they apply to appointed members of boards such as DDA. In addition, City audit staff and DDA management have reviewed compliance forms proposed at this time by the Louisiana Board of Ethics for May, 2009 implementation of the new Financial Disclosure rules. Louisiana's new rules of ethics and the proposed financial disclosure form appears to both City audit staff and DDA management to provide adequate assurances consistent with audit finding #2 that business dealings and transactions of the organization are professional, fair, and ethical. However, in the interest of conforming to audit finding #2, DDA management has agreed with City audit staff to review this management action plan if the final promulgated version of the financial disclosure form changes substantially for the current proposal.

**Timetable:** Immediately.

## **3. Fixed Assets**

**Criteria:** City-owned fixed assets should be labeled as City property and included on the City's fixed assets list.

**Condition:** The DDA's Streetscape fixed assets that are owned by the City do not have a City's fixed asset tag.



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**Effect:** The Streetscape fixed assets are not appropriately tagged with a City fixed assets tag.

**Cause:** Management had not realized the need to place City fixed assets tags on the Streetscape fixed assets.

**Recommendation:** We recommend that DDA coordinate with the City to place City fixed asset tags on the City-owned equipment used for Streetscape.

**Management Plan of Action:** Management is in agreement with audit finding #3, and will act under direction of appropriate City personnel to place City fixed asset tags on the City-owned equipment used for Streetscape maintenance and ShrevePark Parking Services.

**Timetable:** We are ready to adopt the management plan of action immediately for each audit finding, although we must rely on the City to initiate the compliance with audit findings #1 and #3.

Prepared by:

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City Council  
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External Auditor  
Downtown Development Authority